

**Audit of Fiscal Year 1996 Incurred Costs
For TIR-95-0062**

August 1999

Reference Number 19991C059

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

10 = Trade Secrets or Commercial/Financial Information



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 25, 1999

MEMORANDUM FOR GREG ROTHWELL
ASSISTANT COMMISSIONER (PROCUREMENT)
INTERNAL REVENUE SERVICE

A handwritten signature in black ink that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Audit of Fiscal Year 1996 Incurred Costs for TIR-95-0062

In response to your request, the Defense Contract Audit Agency (DCAA) audited the contractor's August 11, 1998, certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 1996 incurred costs. DCAA performed sufficient audit tests to obtain reasonable assurance about whether the proposal is free of material misstatement.

DCAA qualified its report based on the following factor:

- Audit results of direct material costs are qualified because assist audits from cognizant DCAA offices for subcontract costs have not been received. Once the reports are received, the recommended subcontract costs included in the report will be reconciled with the related costs in the upper tier contractors incurred cost submission and a supplemental report will be issued as required.

In summary, DCAA questioned the following items for this contract:: 10 of pooled fringe benefits, 10 of pooled state income taxes, and 10 of the fringe benefits allocation base. These questioned costs increased the DCAA recommended indirect cost rate 10 from 10 to 10 ; thereby potentially increasing the overall costs of the contract. The contracting officer will negotiate a final indirect cost rate with the contractor. In order to determine the effect on the contract costs, the final negotiated indirect cost rate must be applied to the costs billed for Fiscal Year 1996.

The information in this report should not be used for purposes other than that intended without prior consultation with the Office of Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organizations Programs) at (202) 622-8500.

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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